

Economy Watchers Survey

February 2012

OVERVIEW OF THE MONTH

The DI for current economic conditions in February rose 1.8 points from the previous month to 45.9, for the first rise in two months.

The household activity-related DI went up, due mainly to strong car sales thanks to such effects as the subsidies program for the purchase of eco-friendly cars, etc., although there was still a reactionary decline in demand for such products as televisions after a last-minute demand increase.

The corporate activity-related DI rose as the pace of the yen's appreciation seemed to be slowing down recently, although the impact of the appreciation still remains.

The employment-related DI rose, mainly because sectors such as construction and welfare increased job offers.

The DI for future economic conditions in February increased 3.0 points from the previous month to 50.1, for the second straight month of rise.

While consumers and businesses were still uncertain about the future, concerns about business environment deterioration under unfavorable factors, including the yen's appreciation, have eased, and things such as reconstruction demand are expected following the Great East Japan Earthquake. Under such conditions, the household activity-, corporate activity- and employment-related DIs for future economic conditions rose.

For the reasons mentioned above, the assessment of Economy Watchers indicated in this survey can be summarized as "the economy is moderately recovering, despite the after effect of the yen's appreciation."

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III. SUMMARY OF CHARACTERISTIC REASONS FOR THE ASSESSMENT OF THE ECONOMY

National

(Assessments) **A**, Better; **B**, Slightly better; **C**, Unchanged; **D**, Slightly worse; **E**, Worse

1. Current conditions

<i>Household activity</i>	
A	<ul style="list-style-type: none"> Orders, especially those for new hybrid vehicles, are increasing, due to tax reductions and subsidies for eco-friendly car. The number of customers visiting our shop is also increasing, and this trend is expected to continue. (Shikoku: Auto dealer)
B	<ul style="list-style-type: none"> Bargain sales of cold weather protection goods, including clothing items and housing-related goods, were strong, due to the continuing more-than-usual freezing weather. Further, sales of <i>Ehomaki</i> (sushi rolls) and goods to celebrate the coming of spring, as well as Valentine's Day gifts and goods for preparing for the beginning of the school year, were also brisk and have exceeded year-before levels. Regarding customer behavior, there is a tendency to buy gifts earlier than usual. (Kyushu: Supermarket)
C	<ul style="list-style-type: none"> Due to relatively low temperatures in the month as well, sales of spring clothing remain stagnant. The number of customers is also weak and remains at 93–95% of the previous year's level. (Hokkaido: Supermarket) In early February, the continuing winter weather and much accumulation of snow had serious adverse effects on people's daily lives. Furthermore, due to a growing number of people suffering from influenza, children and elderly people are choosing to stay at home. (Hokuriku: Department store)
D	<ul style="list-style-type: none"> With a large reactionary decline in demand due to the termination of the eco-point system for home electric appliances last year, sales of televisions, the main product of consumer electronics, have plunged more than expected. Conditions have become even worse than those of the year end. (Hokkaido: Home electric appliance retail store) As consumer spending centers on purchase for current needs, average spending per customer has remained at a low level. Price competition from rival stores has been also intensifying. We expect that maintaining the current level of visitors cannot cover the decline in the spending per customer, and there will be inevitable drops in sales. (Kyushu: Supermarket)
<i>Corporate activity</i>	
B	<ul style="list-style-type: none"> In the housing sector, demand for housing construction in the disaster-hit area after the Great East Japan Earthquake has become conspicuous. There is a growing number of cases in which people, without waiting for the land-use plan from a viewpoint of disaster prevention by municipalities, look for land in the area escaping the tsunami damage and build houses. (Tohoku: Other companies [Designing]) As the yen's appreciation is slowing down, the situation is slightly better. (Tokai: Electrical machinery equipment manufacturer)
C	<ul style="list-style-type: none"> Mainly due to the slowing of the yen's appreciation, a rise in stock prices, a forecast of 3% growth in the U.S. economy, and the improvement of Europe's credit concerns, a sense of relief is spreading, especially among major manufacturers. (Hokuriku: Finance industry) With the impact of prolonged yen's strength and recessions, there are no major activities in business investment, and construction works ordered by private sector companies are still facing intensified price competition. (Kinki: General contractor)
<i>Employment</i>	
B	<ul style="list-style-type: none"> The number of new job offers expanded for the 23rd consecutive month. In particular, the upward trend is continuing, especially in sectors such as manufacturing, construction, wholesale and retail trade. (Kinki: Employment security office)

2. Future conditions

<i>Household activity</i>	
A	<ul style="list-style-type: none"> Inquiries about custom-built homes have been increasing, and there are a few potential customers for contract. This is the first time we have observed this situation in several years. As the number of people who wish to build their houses before a consumption tax rise is increasing, our future prospects are bright. (Kinki: Housing sales company)
B	<ul style="list-style-type: none"> Nearly one year after the Great East Japan Earthquake, if we maintain the upward trend in per-customer spending and visitors turn to increase, a gradual recovery will be expected. (Hokkaido: Department store) As the weather has been cold, sales of spring clothing are likely to start increasing in the near future. Also, the situation is expected to be slightly better, because there is an expectation of purchasing goods, including those which people did not purchase due to the adverse effects of the Great East Japan Earthquake last year, or, on the other hand, goods which people will purchase again because they are pleased that they purchased them last year. (Southern Kanto: Department store)
E	<ul style="list-style-type: none"> Although nearly one year has passed since the Great East Japan Earthquake, post-disaster restoration and reconstruction, including mental care for local residents, have not yet progressed. Also, moves for a consumption tax increase are accelerating, and we expect consumers will be cautious and withhold their purchases. (Tohoku: Supermarket)
<i>Corporate activity</i>	
B	<ul style="list-style-type: none"> Automobile-related production is expected to increase, due to positive factors, such as an increase in exports thanks to the yen's depreciation, in addition to the effect of political measures, such as the subsidies program for the purchase of eco-friendly cars. For local car parts makers, orders for production from April onwards are also increasing. (Tokai: Finance industry)
C	<ul style="list-style-type: none"> Housing construction has been delayed due to a shortage of skilled workers occurred in connection with reconstruction following the Great East Japan Earthquake, and the improvement of the situation is stalled. (Chugoku: Wood and wood products company)
D	<ul style="list-style-type: none"> The activities related to the Great East Japan Earthquake have slowed down, and a business boom reflecting post-disaster reconstruction support also seems to have subsided. Although works of the real estate-related sector are expected to continue to be brisk, a decrease in work volume as a whole is inevitable. (Tohoku: Advertising agency) Europe's credit concerns are still in a precarious situation. Although the pace of yen's appreciation has slowed somewhat, the situation of export companies remains severe. In addition, with the continuing price increases of raw materials, the electricity rate is expected to rise in the near future, so the future business conditions will get even tougher. (Tokai: Electrical machinery equipment manufacturer)
<i>Employment</i>	
B	<ul style="list-style-type: none"> The number of new job seekers has been decreasing from a year earlier while the number of new job offers maintains on an upward trend. Despite destabilizing factors, such as the yen's appreciation, reconstruction demand after the Earthquake is expected for some time to come, and the situation is likely to be slightly better. (Southern Kanto: Employment security office)
C	<ul style="list-style-type: none"> There is a continued shortage in the nursing-related workforce, and the tight labor market is unfavorable for employers who are interested in hiring certified professionals, including nurses, occupational therapists, welfare caretakers, social welfare secretaries of the Welfare Offices, and nursing caretakers working around the clock. Also, hiring labor-intensive workers is becoming much more difficult. (Kyushu: Job information magazine publisher)